

PUBLIC DISCLOSURE

APRIL 27, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ENERGY CREDIT UNION

52 SECOND AVENUE
WALTHAM, MASSACHUSETTS 02451

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Energy Credit Union** (the "Credit Union") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire membership in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial credit unions: 1) Average Net Loan to Share ratio, 2) Lending to Members of Different Incomes and 3) Fair Lending.

The Credit Union's average net loan-to-share for the previous eight quarters was 73.7 percent and was in a good position when compared similar institutions. Therefore, the Credit Union exceeds the standards for satisfactory performance for this criterion.

An analysis of the Credit Union's residential and consumer lending activity by borrower income for 2002 and 2003, revealed that the Credit Union originated a reasonable number of loans to low- and moderate-income borrowers. Given this information, the Credit Union meets the standards for satisfactory performance for this criterion.

The Credit Union's fair lending performance was considered satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Energy Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1941, in order to promote thrift among its members and the loaning of such savings to its members. As an industrial credit union, the Credit Union is member-oriented and is committed to meeting the credit needs of all its membership. As of December 31, 2003, the Credit Union had assets of \$72.4 million, of which loans comprised approximately 60.7 percent. The loan portfolio is composed of first mortgages, unsecured loans, new automobile loans, used automobile loans, other real estate, and share secured loans. The largest number of the Credit Union's loan portfolio (67.7%) is comprised of residential loans, followed by personal unsecured loans (9.5%).

The following chart illustrates the composition of the loan portfolio:

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	\$ AMOUNT (000's)	%
First Mortgages	29,789,067	67.7%
Unsecured Loans	4,173,447	9.5%
Used Auto	3,906,278	8.9%
New Auto	3,386,999	7.7%
Other Real Estate	2,551,316	5.8%
Shared Secured	197,159	0.4%
TOTALS	44,004,266	100%

December 31, 2003 NCUA Call Report of Condition

The Credit Union moved from its previous location at 201 Rivermoor, West Roxbury, in 2003. Its sole office is now located at 52 Second Avenue in Waltham. The Credit Union's location and hours of operation are convenient and accessible to its members.

During the current examination period, the Credit Union applied for and was granted additional lending authority under the Parity Provisions of the Massachusetts General Laws. The granted powers are described below:

1. To grant consumer loans up to \$25,000 for a term not to exceed 12 years, pursuant to 209 CMR 50.06(3)(e);
2. To grant 100% automobile loans for a term not to exceed 12 years, pursuant to 209 CMR 50.06(3)(f);
3. To grant home improvement loans up to \$80,000 for a term not to exceed 20 years pursuant to 209 CMR 50.06(3)(i); and
4. To grant first mortgage up to \$400,000 for a term not to exceed 40 years, pursuant to 209 CMR 50.06(3)(j).

Description of Institution (continued)

At this time, there appear to be no significant financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its membership.

The Credit Union was last examined by the Division for compliance with CRA on October 4, 1999. That examination resulted in a Satisfactory rating.

Description of Assessment Area (Membership)

The Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA Regulation, 209 CMR 46.41(8), which states, in part, that "[n]otwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area..." The Credit Union has elected to identify its assessment area in this manner.

The Credit Union's by-laws describe its membership as limited to persons employed by utility companies transmitting or seeking natural gas in Massachusetts, which include but are not limited to, the following companies:

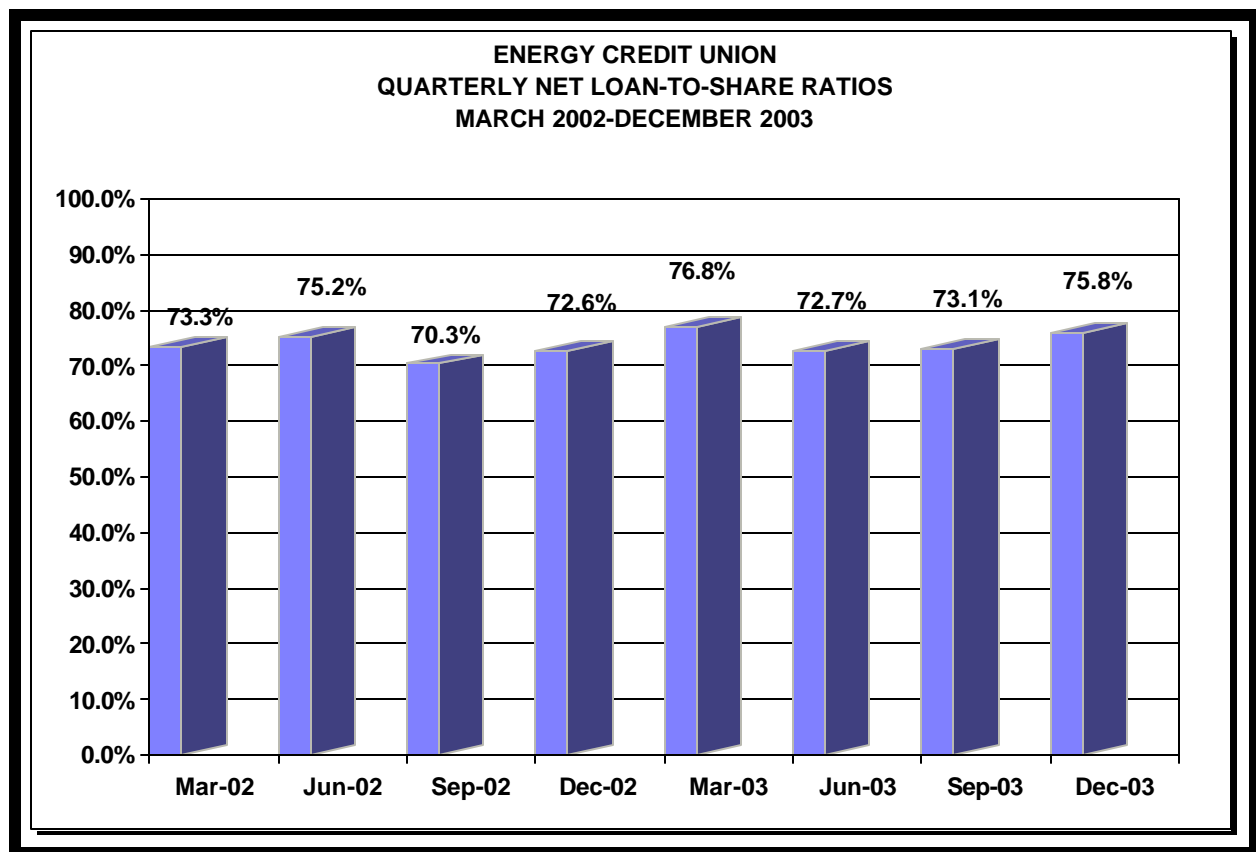
"KeySpan Corporation, Boston Gas Company, Eastern Enterprises, or any entity which is 50% or more owned or controlled by any of the foregoing, as well as any company that may result from a merger with any of the foregoing and employees of this Credit Union. In addition, retirees of such entities, widows and widowers of employees of such entities and persons employed by organizations operated wholly by and for employees of such entities shall be the family members of such members defined as spouse, children, siblings, parents, grandparents, grandchildren and in-laws. Persons not so eligible for membership may have joint accounts with members of the Credit Union for the purpose of deposit and withdrawal only."

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of the Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated eight quarterly periods of the Credit Union's net loan to total share figures, utilizing the National Credit Union Administration's (NCUA) 5300 Call reports. This review included the period ending March 2002, through December 2003. The Credit Union's average net loan-to-share ratio during this period was determined to be 73.7 percent, which is considered to meet the standards for satisfactory performance.

The following graph illustrates the loan-to-share trends:

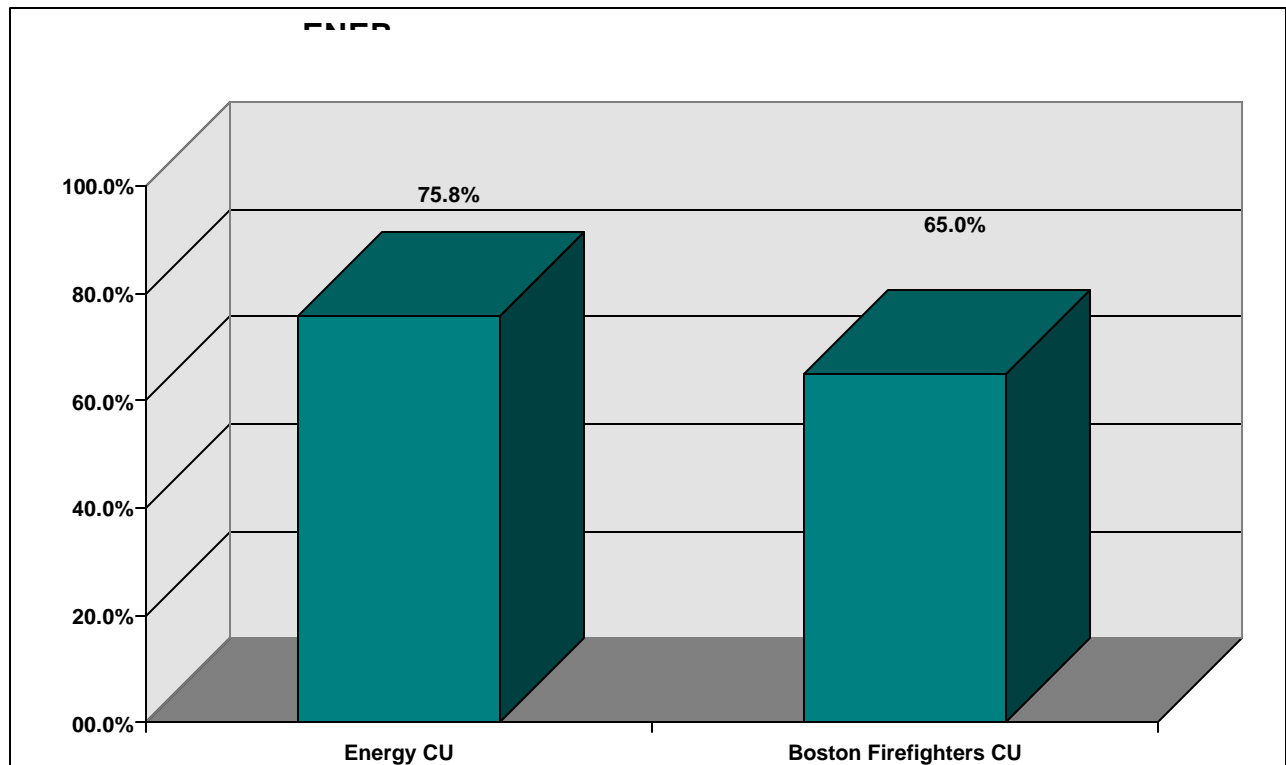


Source: NCUA Call Reports

In reference to the graph above, the loan-to-share ratio reflects a relatively stable trend.

LOAN TO SHARE ANALYSIS (continued)

The following graph illustrates the loan-to-share trends for two similar institutions:



Source: NCUA Call Reports

The Credit Union's loan-to-share ratio is adequate when compared to another credit union of similar asset size.

Based on the above information and the Credit Union's capacity to lend; the capacity of other similarly-situated institutions to lend to their members; the lending opportunities available within the organization; and its small asset size and limited resources; the Credit Union's loan-to-share ratio exceeds the standards for satisfactory performance in this criterion.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The examiner conducted an analysis of residential mortgage loans and a sample of consumer loans extended within the Credit Union's assessment area among various income levels. The majority of the KeySpan employee base resides within the Boston Metropolitan Statistical Area (MSA). However, the employee base also includes employees who are residents of other MSAs located within Massachusetts. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 estimated median family incomes of the MSAs mentioned below.

MSA NAME	Median Family Household Incomes 2002	Median Family Household Incomes 2003
Barnstable-Yarmouth/ 0740	56,500	58,700
Boston MA-NH/ 1120	74,200	80,800
Brockton/ 1200	63,500	70,300
Lawrence MA-NH/ 4160	67,400	74,300
Lowell MA-NH/ 4560	75,200	79,700
New Bedford/ 5400	47,500	52,700
Providence-Fall River-Warwick RI-MA/ 6480	54,100	58,400
Worcester MA-CT/ 9240	58,400	68,000
N/A (Nonmetropolitan Areas)	52,100	60,300

Source: Income figures based on estimated 2002 and 2003 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

RESIDENTIAL LENDING

The following table provides an analysis of 247 residential mortgage loans, originated within the Credit Union's membership, by applicant income level. The information included in the table below indicates that 4 loans (or 1.6 percent of the residential mortgages) were to low-income members, and 14 loans (or 5.7 percent) were granted to moderate-income members. The majority of originated loans, (157 loans, or 63.6 percent) were to upper-income members.

RESIDENTIAL LENDING (continued)

The following table presents the results of the above analysis.

RESIDENTIAL LOANS BY INCOME OF BORROWER **BY NUMBER**

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	#	%	#	%	#	%
<50%	1	0.8	3	2.4	4	1.6
50% - 79%	8	6.7	6	4.7	14	5.7
80% - 119%	35	29.2	37	29.1	72	29.1
120% >	76	63.3	81	63.8	157	63.6
TOTAL	120	100%	127	100%	247	100%

Source: HMDA/LAR 2002 and 2003

The information included in the table below indicates that 0.9 percent of the residential mortgage originations were granted to low-income members, and 3.7 percent were originated to moderate-income members. The majority of originations (69.3 percent) were to upper-income members.

RESIDENTIAL LOANS BY INCOME OF BORROWER **BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	42	0.3	270	1.3	312	0.9
50% - 79%	804	4.6	623	3.0	1,427	3.7
80% - 119%	4,686	26.7	5,314	25.6	10,000	26.1
120% >	12,004	68.4	14,528	70.1	26,532	69.3
TOTAL	17,536	100%	20,735	100%	38,271	100%

Source: HMDA/LAR 2002 and 2003

CONSUMER LENDING

The information included in the table below indicates that 4 loans (10 percent) were granted to low-income members, and 12 loans (30 percent) were granted to moderate-income members. The largest number of the consumer loan sample (14 loans, or 35.0 percent) was granted to middle-income members.

The following table presents the results of the above analysis:

CONSUMER LOANS BY INCOME OF BORROWER
BY NUMBER

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	#	%	#	%	#	%
<50%	1	5.0	3	15.0	4	10.0
50% - 79%	6	30.0	6	30.0	12	30.0
80% - 119%	8	40.0	6	30.0	14	35.0
120% >	5	25.0	5	25.0	10	25.0
TOTAL	20	100%	20	100%	40	100%

Source: in-house File for 2002 and 2003

The information included in the table below indicates that 5.7 percent of the sample was granted to low-income borrowers, while 29.7 percent of the sample was granted to moderate-income members. The largest amount of the consumer loan sample, 35.5 percent, was granted to middle-income members.

CONSUMER LOANS BY INCOME OF BORROWER
BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2002		2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	5	1.6	28	10.5	33	5.7
50% - 79%	95	30.0	78	29.3	173	29.7
80% - 119%	122	38.4	85	32.0	207	35.5
120% >	95	30.0	75	28.2	170	29.1
TOTAL	317	100%	266	100%	583	100%

Source: in-house files – 2002 and 2003

CONSUMER LENDING (continued)

The distribution of lending demonstrates the Credit Union's willingness to lend to members of low- and moderate-income. Therefore, the percentage of originations occurring in low- and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes and where the comparison is made to the standard of median family income.

The distribution of credit among members of various incomes reflects a reasonable penetration among individuals of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

3. REVIEW OF COMPLAINTS/FAIR LENDING

The Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the Credit Union maintains procedures, should the Division receive any consumer complaints related to CRA.

FAIR LENDING POLICIES AND PRACTICES

The Credit Union has a formal fair lending policy that meets the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy.

The Credit Union's marketing activity includes placing information pertaining to its credit products and services in public view within its sole office, as well as KeySpan offices, and plants where its members are employed. The Credit Union also includes "statement stuffers" in correspondence sent out to the membership. Brochures are also located in the Credit Union's office.

The Credit Union has a second review policy in place. The credit committee reviews all declined and withdrawn loan applications.

Based on the foregoing information, the Credit Union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF CREDIT UNIONS:

THIS IS TO CERTIFY, that the report of examination of the

ENERGY CREDIT UNION

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **April 27, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.